

IMMEDIATE RETIREMENT OF CERTAIN FEDERAL
EMPLOYEES

MARCH 29, 1973.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. WALDIE, from the Committee on Post Office and Civil Service,
submitted the following

REPORT

[To accompany H.R. 6077]

The Committee on Post Office and Civil Service, to whom was referred the bill (H.R. 6077) to permit immediate retirement of certain Federal employees, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of this legislation is to permit the voluntary retirement of a Federal employee who has completed 25 years of service, or who is age 50 and has completed 20 years of service, during a period while his agency is undergoing a major reduction in force.

COMMITTEE ACTION

H.R. 6077 is based upon an official recommendation of the United States Civil Service Commission. It was approved by a unanimous vote of the Subcommittee on Retirement and Employee Benefits, and ordered reported by unanimous voice vote of the full committee.

Hearings (Committee No. 92-25) were conducted in the 92d Congress on a similar proposal, which was incorporated into the provisions of H.R. 11255 and reported to the House. While action thereon was not scheduled by the House, an identical measure, S. 3380, was passed by the Senate.

STATEMENT

Existing law (section 8336(d) of title 5, United States Code) provides for the payment of an immediate annuity when an employee is

involuntarily separated (other than on charges of misconduct or delinquency) after completing 25 years of service or after becoming age 50 and completing 20 years of service.

The bill will permit an employee who meets such age and/or service requirements, but who would not be eligible to retire under the optional age 55-30 years or age 60-20 years retirement provisions, to retire voluntarily during a limited period while his agency is undergoing a major reduction of personnel. It will allow such an employee to volunteer for retirement before a reduction-in-force actually is effected, thereby permitting the employing agency to ascertain in advance the overall effect of retrenchment in a particular geographic area.

Reductions in personnel usually result in the termination or downgrading of those employees who have the least seniority or retention preference. Accordingly, many younger employees are separated from Federal employment while older employees, a number of whom may desire to retire in such circumstances, are retained.

Under this proposal, the employee of an agency or installation undergoing a major reduction-in-force would be permitted to retire optionally if he is at least age 50 and has served for 20 years, or regardless of age if he has served for 25 years, before the retrenchment action is actually effected. The Civil Service Commission would make the determination as to when a reduction in force is major, and would fix the time and the geographic area within which employees could exercise the option to retire. In determining when a reduction in force is a major one, the Commission would take into account such things as the impact it will have upon the local economy, the degree of disruption of the operations of an agency or installation, and the effect on the agency's or installation's future capability to effectively carry out its mission.

In approving this proposal, the Committee intends that before an eligible employee exercises his option to retire thereunder he be fully informed of his retention rights before or while the reduction procedures are in process. It is the Committee's further intent that the concerned agencies and the Civil Service Commission exercise vigilance in assuring that any retirement under this provision be a truly voluntary action by the employee, and free of any coercion. It does not, however, contemplate an employee's deferral of a decision to so retire until the reduction is nearly completed.

SECTIONAL ANALYSIS

The bill amends subsection (d) of section 8336 of title 5, United States Code, to permit an employee who has completed 25 years of service or who is at least 50 years of age and has completed at least 20 years of service to retire voluntarily during the period while his agency, or subdivision thereof, is undergoing a major reduction in force. The existing law provides for retirement after 25 years of service or after age 50 with 20 years of service only in the case of an employee who is involuntarily separated from the service for reasons other than misconduct or delinquency.

Under the amended provision, the Civil Service Commission is required to determine when a reduction in force is "major" and would fix the time within which employees could exercise the option to retire. The Commission also will determine in each case whether eligible employees throughout the agency may exercise the option to retire or whether the option will be limited to eligible employees within specific geographic areas or specific organizational units.

Employees who exercise the option to retire under this provision will have their annuities reduced for each month they are under age 55 in accordance with section 8339(h) of title 5.

EFFECTIVE DATE

H.R. 6077 would become effective on and after the date of enactment.

ESTIMATED COST

While the number of employees eligible to retire from time to time will depend upon whether voluntary retirement under the amendment is authorized on an agency-wide basis, or upon a limited geographic basis, the Civil Service Commission is unable to provide more than speculative cost estimates.

However, assuming that 1,000 employees retire under this provision, the Committee estimates an increase in the unfunded liability of the Civil Service Retirement System of approximately \$10.1 million. Any such additional deficit would be financed in accordance with Section 8348(f) of title 5, United States Code, by an annual appropriation of \$600,000 in each of the following 30 years.

AGENCY VIEWS

Following is a letter from the Chairman of the United States Civil Service Commission recommending the enactment of this legislation, and a supporting letter from the Assistant Secretary of Defense for Manpower and Reserve Affairs.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., February 26, 1973.

Hon. CARL ALBERT,
Speaker of the House of Representatives.

DEAR MR. SPEAKER: The Commission submits for the consideration of the Congress, and recommends prompt favorable action on, the attached legislative proposal which, during a major reduction in force in a department or agency, would permit the optional retirement on reduced annuity of Federal employees with at least 25 years of service, or, after becoming 50 years of age, with at least 20 years of service.

The proposed legislation would be inestimable benefit to employees, management, and the community in which an installation undergoing a reduction in force is located. Reductions in force have a depressing effect on employee morale and result in severe personal hardships caused by loss of income and uncertainty regarding future employ-

ment. Major reductions in force, through multiple "bumping" actions, also have a disruptive effect on agency management. To the extent that attrition, particularly retirement, reduces the need for involuntary separations and the chain-effect displacement of employees with lower retention rights by those with higher retention rights, these hardships and disruptions are mitigated.

In a smaller community where a Federal installation is a main source of employment, a major reduction in force may adversely affect the community's economy. In a larger community, the release of many employees in some occupational categories may place on an already troubled labor market people for whom there are no comparable occupations in the private sector. Permitting people to retire on annuity income and spreading voluntary retirements throughout an entire department or agency, or a subdivision of a department or agency, as the attached legislation proposes, would at least moderate these adverse effects of reductions in force on the community.

Another benefit to be derived from the proposed legislation is that it will enhance the agency's future effectiveness in carrying out its mission by helping to retain younger employees. Nothing raises the average age of an organization more quickly than a substantial reduction in force in which the youngest employees with the lowest retention standing are separated and the oldest employees are retained.

Under present law, an employee who is at least age 50 and has at least 20 years' service, or 25 years' service regardless of age, may retire on an immediate annuity if he is involuntarily separated, as when he is reached by reduction in force. Unless the employee is old enough and has sufficient service to retire officially (age 55 with 30 years of service, age 60 with 20, or age 62 with 5), if he is not reached for reduction in force, he does not have the right to retire even if he is desirous of doing so, and thus permit an employee who wants to continue to work to be retained. The proposed legislation would simply give the long service employee who is not eligible to retire under the regular optional retirement provision of the law the opportunity to retire voluntarily during a limited period when his agency is undergoing a major reduction in force.

Under the proposed legislation, the Commission would make the determination as to when a reduction in force is major and would fix the time within which employees could exercise the option to retire. In determining when a reduction in force is a major one, the Commission intends to take into account such things as the impact it will have upon the local economy, the degree of disruption of the operations of an agency or installation, and the effect on its future capability to effectively carry out its mission. A reduction in force which affects a large number of employees in relation to the total number in the agency, or a large number of employees in the same competitive area or in a community would clearly be a major one. The time within the option to voluntarily retire could be exercised would be set by the Commission so that employees could not defer a decision until the reduction in force had been nearly completed. The Commission will also make a determination as to whether eligible employees

throughout the agency could exercise the option to retire, or whether the option to retire would be restricted to eligible employees of the agency who are employed in specific geographic areas or organizational units where the effects of the reduction in force are particularly severe. Like employees who are involuntarily separated, those who exercise the option to retire voluntarily in a major reduction in force will have their annuities reduced by 1/6 of 1 percent (2 percent a year) for each month they are under age 55.

As in regular optional retirement cases, the Commission would be vigilant in enforcing the requirement that a retirement under the proposed legislation is the result of the employee's voluntary action rather than of coercion by his agency. Also in situations where voluntary retirements are not confined to designated geographic areas, the Commission would require an agency to try to place an employee adversely affected by a reduction in force in one geographic area in a job vacated by retirement in another area.

Inasmuch as the number of employees eligible to retire if the proposed legislation were enacted would depend on whether the Commission authorized voluntary retirement on an agency-wide, or on a more restrictive geographic basis, it is not possible to provide more than speculative cost estimates.

The Office of Management and Budget advises that there is no objection from the standpoint of the Administration's program to submission of this draft bill to Congress.

A similar letter is being sent to the President of the Senate.

By direction of the Commission:

Sincerely yours,

ROBERT HAMPTON,
Chairman.

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., March 8, 1973.

Hon. THADDEUS J. DULSKI,
*Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: The Chairman of the U.S. Civil Service Commission submitted to the Speaker of the House of Representatives on February 26, 1973, a legislative proposal which, during a major reduction in force in a department or agency, would permit the optional retirement on reduced annuity of Federal employees with at least 25 years of service, or, after becoming 50 years of age, with at least 20 years of service.

Since October 1969 the Defense Department has been in a continuing period of declining civilian employment with approximately 300,000 civilian positions being eliminated. In light of current and projected budgetary restrictions and the need to adjust the predominantly civilian staffed support structure to the reductions taking place in the organization and size of the armed forces, it is anticipated that the incumbents of many civilian positions will be affected by elimina-

tion or relocation of their positions. Every effort is being made within the Department to effect required civilian reductions through voluntary attrition, and where this is not feasible, by the reassignment of displaced employees into other vacancies within the Department.

The proposed legislation would have the effect of permitting long service employees who desire to retire, but are not yet eligible to do so under present optional retirement provisions, to retire during a major reduction in force.

The benefits which would result from this legislation are four-fold; the older employee who wishes to retire gets the opportunity to do so; the employee vulnerable in reductions in force—usually a younger worker with major family responsibilities—is able to continue working; management is benefited by the increased vigor of the work force that results from a reduction in the average age of the work force (which has been increasing in recent years as the size of the work force has been steadily reduced); and finally, lines of progression blocked by senior employees who can neither move up nor move out are opened up to the benefit of the entire work force.

It is estimated that approximately 25% of our total civilian work force of about one million employees would be eligible to retire under the provisions of the proposed legislation. Assuming, during a period of major reductions in force, 10% of the eligible employees (about 25,000) elected optional retirement under these provisions, a like number of employees could be spared the personal hardships associated with involuntary separations.

Past experience with the "requested resignation" procedure permitted for a limited time by the Civil Service Commission indicates that many employees do elect to take advantage of an opportunity to retire during a reduction in force and that these retirements greatly minimize the adverse impact of reductions in force. For example, during 1970 in an Army headquarters organization, approximately 800 civilian positions were eliminated, and in 1971 another 86 were eliminated. Through the "requested resignation" procedure and resulting discontinued service retirements, the reduction-in-force situation was eased by 17% in 1970 and alleviated entirely in 1971. It is emphasized that retirements under this legislation would be at the election of the employee, and no employee not reached for reduction in force will be forced to retire.

The Department of Defense strongly endorses the legislation proposed in the U.S. Civil Service Commission Chairman's letter of February 26, 1973, and urges early favorable action by the Congress.

Sincerely,

(Signed) ROGER T. KELLEY.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 8336 OF TITLE 5, UNITED STATES CODE

CHAPTER 83—RETIREMENT

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SUBCHAPTER III—CIVIL SERVICE RETIREMENT

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§ 8336. Immediate retirement

(a) * * *

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[(d) An employee who is involuntarily separated from the service, except by removal for cause on charges of misconduct or delinquency, after completing 25 years of service or after becoming 50 years of age and completing 20 years of service is entitled to a reduced annuity.]

(d) *An employee who is separated from the service—*

(1) involuntarily, except by removal for cause on charges of misconduct or delinquency; or

(2) during a period when the agency in which he is employed is undergoing a major reduction in force, as determined by the Commission, and who is serving in such geographic areas as may be designated by the Commission;

after completing twenty-five years of service or after becoming fifty years of age and completing twenty years of service is entitled to a reduced annuity.

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